

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7868**

**BILL NUMBER: SB 397**

**DATE PREPARED:** Jan 13, 2001

**BILL AMENDED:**

**SUBJECT:** School referendum property tax levies.

**FISCAL ANALYST:** Chuck Mayfield

**PHONE NUMBER:** 232-4825

**FUNDS AFFECTED:**     **GENERAL**  
                              **X DEDICATED**  
                              **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill revises the existing excessive levy referendum process for schools to provide that if the school property tax control board recommends that a school corporation be permitted to make a referendum tax levy for ensuing calendar years and the referendum is approved, the school corporation may impose a referendum tax levy that is separate from the school corporation's general fund tax levy. It provides that the voters may not approve a referendum tax levy that is imposed for more than seven years. The bill specifies that a referendum tax levy may be reimposed or extended through the referendum process. It also provides that the property tax revenue from a referendum tax levy may be used for any lawful school expenses. The bill provides that the referendum tax levy may not be considered in the determination of the school corporation's state tuition support or the determination of the school corporation's maximum general fund tax levy.

**Effective Date:** January 1, 2002.

**Explanation of State Expenditures:** Currently, an approved referendum provides a permanent increase to a school's general fund levy. The levy increase due to the approval of the referendum does not receive property tax replacement credits (PTRC). The amount of the referendum is excluded from the tuition support formula calculation the first year the increase is imposed. In latter years the referendum is treated the same as other general fund levy increases and has been included in expenditure and taxpayer equalization calculations. Due to certain provisions in the current school formula, a school that passed a referendum may not be receiving additional revenue due to the passage of the referendum. A school that receives the foundation grant of \$4,267 in CY 2001 and passed a referendum more than two year ago is receiving the same school formula revenue as a school that did no pass a referendum..

The bill would create the referendum tax fund and levy. The levy may be imposed for up to seven years and is equal to the amount of referendum approved by the voters. The new levy would be eligible for PTRC. The new levy would also be excluded from the tuition support calculations. It is not possible to estimate the

number of future referendums or who might pass a referendum.

The state's expense for PTRC could be increased under this bill. PTRC is paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any additional PTRC expenditures would ultimately come from the General Fund.

The exclusion of the referendum levy from the school formula would also decrease school General Fund levies and increase state tuition support funding for the school formula.

The following table list the number and the dollar amount of levy increases due to approved referendum since 1982.

<b>Calendar Year</b>	<b>Number Approved</b>	<b>Levy</b>
1982	1	\$47,000
1985	4	\$2,350,034
1986	5	\$4,413,281
1987	4	\$1,263,000
1988	2	\$5,449,875
1997	1	\$456,085
1998	1	\$150,000

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See Explanation of State Impact.

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Education, State Board of Tax Commissioners, State Board of Accounts.

**Local Agencies Affected:** Local School Corporations.

**Information Sources:** Department of Education databases.